

## Message Text

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17

ACTION NEA-09

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FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 0860

INFO AMEMBASSY NEW DELHI

LIMITED OFFICIAL USE SECTION 1 OF 2 KATHMANDU 0837

E.O. 11652: N/A

TAGS: PINS, PFOR, NP, IN, CH, UN

SUBJECT: NEPALESE ECONOMIC ON THE EVE OF THE CORONATION

1. SUMMARY: ECONOMIC DEVELOPMENT IN NEPAL HAS BEEN AND WILL CONTINUE TO BE SLOW. POPULATION GROWTH IS NOW RUNNING AHEAD OF THE INCREASE IN THE GROSS DOMESTIC PRODUCT. OVER THE NEXT DECADE POPULATION PRESSURES WILL WORSEN. WHILE NEPAL HAS A HIGH LEVEL OF FOREIGN EXCHANGE RESERVES (\$128 MILLION) ANTICIPATED CHANGES IN ITS TRADING RELATIONSHIP WITH INDIA WILL FORCE NEPAL TO PURCHASE MORE OF ITS IMPORTS FROM THIRD COUNTRIES. INFLOWS OF FOREIGN EXCHANGE BASED ON TOURISM, REMITTANCES, AND FOREIGN AID SHOULD CONTINUE AT SATISFACTORY LEVELS, BUT GROWING CLAIMS ON FOREIGN EXCHANGE FOR DEVELOPMENT GOODS WILL RESULT IN ACCELERATING DRAWDOWNS. WHILE THE GOVERNMENT CONTINUES TO STRUGGLE WITH ITS LONG RANGE STRUCTURAL PROBLEMS IT WILL ALSO HAVE TO DEVELOP AN ABILITY TO DEAL WITH THE MORE IMMEDIATE PROBLEMS SUCH AS THOSE CAUSED BY THE INTERNATIONAL ECONOMIC SITUATION AND SOME POSSIBLE CHANGES IN NATURE OF NEPAL'S RELATIONSHIP WITH INDIA. THESE CHANGES WILL ALSO HAVE IMPLICATIONS FOR U.S. POLICY, AS THE

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GON ATTEMPTS TO GET THE MAXIMUM MILEAGE FROM AVAILABLE RESOURCES. WE EXPECT THAT THE GOVERNMENT WILL TAKE INCREASED CARE TO ENSURE THAT FOREIGN DONOR ACTIVITIES COMPLY WITH GON PRIORITIES. GON WILL ALSO REDOUBLE ITS EFFORTS

TO OBTAIN ASSISTANCE AT MOST FAVORABLE TERMS AND WILL HOPE THAT U.S. CAN DEVELOP BETTER UNDERSTANDING OF WHAT GON PERCEIVES TO BE SPECIAL CIRCUMSTANCES IN NEPAL. TO EXTENT THAT WE ARE IN POSITION TO HELP, WE SHOULD BE RECEPTIVE TO THESE NEPALESE REQUESTS FOR ASSISTANCE IN THE FUTURE. END SUMMARY

1. GIVEN ITS GEOGRAPHIC LOCATION, IT TOPOGRAPHY, AND ITS LACK OF NATURAL RESOURCES, ECONOMIC DEVELOPMENT IN NEPAL IS INEVITABLY SLOW. DESPITE TWO DECADES OF DEVELOPMENT EFFORTS, AND NUMEROUS INPUTS BY FOREIGN AND INTERNATIONAL DONORS, MOST OF NEPAL'S FUNDAMENTAL PROBLEMS REMAIN. POPULATION PRESSURE IS NEGATING THE MARGINAL INCREASES IN THE ECONOMY'S OUTPUT WHICH ARE TAKING PLACE. IN TERMS OF CONSTANT PRICES, NEPAL'S GROSS DOMESTIC PRODUCT IN RECENT YEARS HAS INCREASED AT A RATE OF ONLY TWO PERCENT PER YEAR, INSUFFICIENT TO KEEP PACE WITH POPULATION INCREASE OF BETWEEN 2.0 TO 2.3 PERCENT. NEPAL'S PER CAPITA INCOME IS ESTIMATED AT ONLY \$75 TO \$90 AND LEAVES IT ONE OF LEAST DEVELOPED OF ALL DEVELOPING COUNTRIES. NEARLY ALL OF NEPAL'S OUTPUT IS STILL DERIVED FROM THE AGRICULTURAL SECTOR WHICH ACCOUNTS FOR OVER THREE QUARTERS OF THE GROSS DOMESTIC PRODUCT AND WHICH EMPLOYS SOME 90 PERCENT OF NEPAL'S LABOR FORCE. GIVEN THE PREDOMINANCE OF AGRICULTURE, PRODUCTION INCREASES. YET INCREASES IN PRODUCTION WILL BE HARD TO COME BY, AS POPULATION PRESSURE HAS CAUSED EVEN THE MOST MARGINAL LAND TO BE BROUGHT UNDER PRODUCTION. INCREASES IN PRODUCTION WILL THEREFORE HAVE TO COME FROM INCREASING YIELDS, WHICH ARE PRESENTLY DECREASING OR AT BEST STAGNANT. THIS WILL ENTAIL THE TRANSFORMATION OF NEPAL'S AGRICULTURE FROM TRADITIONAL TO MODERN PRACTICES, WITH INFRASTRUCTURE INVESTMENTS IN IRRIGATION AND THE ESTABLISHMENT OF EFFECTIVE GOVERNMENT ORGANIZATIONS TO SUPPLY INPUTS AND EXTENSION SERVICES. THIS HAS BEEN THE USAID FOCUS FOR SEVERAL YEARS AND WILL CONTINUE TO BE WITH A NEW INTEGRATED CEREALS PROJECT AND THE AGRICULTURE INSTITUTE.

2. OTHER THAN AGRICULTURE, NEPAL HAS FEW DEVELOPABLE NATURAL LIMITED OFFICIAL USE  
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RESOURCES. WHILE THERE ARE SOME MAGNESITE AND ZINC DEPOSITS, NEPAL DOES NOT APPEAR TO BE ABUNDANTLY BLESSED WITH MINERALS. NEPAL DOES HAVE TIMBER RESOURCES, BUT THE QUALITY OF THE WOOD IS GENERALLY POOR, ALTHOUGH SOME LIMITED POSSIBILITIES DO EXIST FOR PULP AND PAPER INDUSTRIES. THE ONE RESOURCE THAT NEPAL DOES HAVE IN ABUNDANCE IS WATER. THE HYDROELECTRIC POTENTIAL OF NEPAL'S RIVERS HAS BEEN ESTIMATED AT 83,000 MEGAWATTS. THE POTENTIAL FOR DEVELOPMENT OF THESE RIVERS CAN BE ILLUSTRATED ON ONE PROJECT, THE KARNALI PROJECT, WHICH ALONE WOULD HAVE A POTENTIAL OUTPUT OF 4 MILLION KW, SUFFICIENT TO SUPPLY APPROXIMATELY ONE-FIFTH OF INDIA'S TOTAL POWER REQUIREMENTS. WHILE THE INDIANS

HAVE BEEN INTERESTED IN THE DEVELOPMENT OF THE KARNALI AS A SOURCE OF POWER, THE NEPALESE HAVE BEEN RELUCTANT TO PROCEED. THIS RELUCTANCE HAS STEMMED IN PART FROM THE HUGE COST OF THE PROJECT, ESTIMATED AT APPROXIMATELY ONE BILLION DOLLARS, AND IN PART FROM A DESIRE NOT TO PROVIDE INDIA WITH AN IMPORTANT VESTED INTEREST WITHIN THE BORDERS OF NEPAL. THE LATTER CONSIDERATION LOOMS LARGE AT PRESENT, AS INCIDENTS FOLLOWING THE SIKKIMESE EVENTS HAVE RAISED DOUBTS IN NEPAL WITH REGARD TO INDIA'S REAL INTENTIONSTOWARD NEPAL. WHILE NEPAL WILL PROCEED TO DEVELOP ITS WATER RESOURCES FOR USE WITHIN NEPAL, IT NOW APPEARS THAT THE GOVERNMENT WILL BE IN NO HURRY TO EMBARK ON PROJECTS WHICH WOULD SERVE INDIA AS THE PRINCIPAL BENEFICIARY.

3. THE BRIGHTEST SPORT IN NEPAL'S ECONOMIC PICTURE HAS BEEN ITS FOREIGN EXCHANGE ACCOUNT. INFLOWS FROM TOURISM, REMITTANCES OF PAY AND PENSIONS FOR GURKHA SOLDIERS, AND FOREIGN AID RECEIPTS HAVE COMBINED TO PROVIDE NEPAL WITH A LEVEL OF CONVERTIBLE FOREIGN EXCHANGE HOLDINGS APPROXIMATING \$128 MILLION, USUALLY LARGE FOR A COUNTRY IN NEPAL'S STAGE OF DEVELOPMENT. FIGURES RELEASED LAST MONTH SHOW THAT NEPAL EARNED OVER \$9 MILLION LAST YEAR FROM TOURISM, AS COMPARED TO ABOUT \$5 MILLION IN THE PREVIOUS YEAR. THE POTENTIAL FOR FURTHER DEVELOPMENT OF TOURISM IS GREAT. HOWEVER, FOREIGN EXCHANGE HOLDINGS ARE EXPECTED TO DECLINE STEADILY IN COMING YEARS AS NEPAL GOES INTO THE INTERNATIONAL MARKET FOR DEVELOPMENT GOODS ONCE OBTAINED IN ABUNDANT SUPPLY FROM INDIA. THIS YEAR ALONE A DRAWDOWN OF \$11 MILLION LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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IS EXPECTED.

4. THE PROGNOSIS IN THIS AREA DEPENDS IN LARGE PART ON THE DEGREE TO WHICH NEPAL IS ABLE TO LIMIT ITS DEPENDENCE ON INDIA THROUGH TRADE DIVERSIFICATION AND THE CREATION OF IMPORT SUBSTITUTION INDUSTRIES. AT PRESENT APPROXIMATELY 85 PERCENT OF NEPAL'S FOREIGN TRADE IS WITH INDIA. IMPORTS OF ESSENTIAL COMMODITIES HAVE TRADITIONALLY COME FROM INDIA AND HAVE BEEN PAID FOR IN INDIAN RUPEES, EARNED THROUGH THE EXPORT OF FOODGRAINS. IMPORTS FROM THIRD COUNTRIES MUST TRANSIT INDIA, AND ARE DEPENDENT ON INDIAN PORT AND TRANSPORTATION FACILITIES. THIS DEPENDENCE ON INDIA HAS MEANT THAT THE NEPALESE ECONOMY IS OFTEN BUFFETED BY EXTERNAL FACTORS OVER WHICH THE GON HAS NO CONTROL. PORT AND TRANSPORTATION BOOTLENECKS ARE EXAMPLES AS IS INFLATION. THE LEVEL OF PRICES IN NEPAL IS INFLUENCED TO A LARGE EXTENT

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ACTION NEA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM AMEMBASSY KATHMANDU

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BY THE PRICE LEVEL IN INDIA AS NEPALESE GOODS ARE NATURALLY PULLED TOWARD THE LARGER INDIAN MARKET. INFLATION IN NEPAL IS PRESENTLY RUNNING AT THE RATE OF ABOUT 20 PERCENT A YEAR, WITH PRICES FOR SOME ESSENTIAL COMMODITIES HAVING RISEN AT MUCH HIGHER RATES. FURTHERMORE, MANY COMMODITIES LARGELY OBTAINED FROM INDIA, SUCH AS KEROSENE, HAVE BEEN IN LIMITED SUPPLY AT ANY PRICE. MANY OF THESE SHORTAGES WILL CONTINUE SINCE THERE ARE LIMITS IN NEPAL'S ABILITY TO DIVERSIFY ITS TRADE. NEPAL WILL CONTINUE TO BE DEPENDENT TO A LARGE EXTENT ON INDIA BUT PRESUMABLY WILL TRY TO MANAGE ITS RELATIONSHIP WITH INDIA TO BETTER ADVANTAGE. RECOGNIZING THAT INDIA MUST REMAIN THE MOST IMPORTANT SOURCE FOR NEPAL'S ESSENTIAL IMPORTS, NEPAL WILL HAVE TO FIND MEANS TO CONTINUE TO GENERATE INDIAN CURRENCY EARNINGS. DURING THE LAST YEAR HOLDINGS OF INDIA RUPEES HAVE FALLEN TO LEVELS SUFFICIENT TO COVER NO MORE THAN TWO MONTHS' IMPORTS FROM INDIA. THIS PROBLEM WILL BE DIFFICULT TO RESOLVE, AS NEPAL'S INCREASING POPULATION CONSUMES NEPAL'S SURPLUS AGRICULTURAL PRODUCTION, THE PREDOMINANT SOURCE OF NEPAL'S INDIAN CURRENCY EARNINGS.

5. WHILE THE ABOVE FACTORS REPRESENT PRINCIPAL STRUCTURAL  
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PROBLEMS WITH WHICH NEPAL HAS LONG LIVED AND WHICH WILL CONTINUE TO SET THE PATTERN OF NEPAL'S DEVELOPMENT, ANXIETY LEVELS HAVE RISEN WITHIN THE LAST SEVERAL MONTHS AS A RESULT OF EXTERNAL FACTORS OF A SHORTER TERM NATURE. THESE CONCERNS HAVE STEMMED FROM THE STATE OF THE INTERNATIONAL ECONOMY AND INDIA'S INTENTIONS WITH RESPECT TO NEPAL.

GIVEN NEPAL'S DEPENDENCE ON INDIA THE IMPACT OF THE INTERNATIONAL SITUATION HAS REACHED NEPAL LARGELY THROUGH ITS TIES TO INDIA. AS INDIA SUFFERS FROM RISING PRICES AND ITS OWN SUPPLY CONSTRAINTS, NEPAL HAS ALSO SUFFERED. THE FIRST REAL CRISIS WAS INDIA'S DECISION TO CEASE FROM JANUARY 1 THE SUPPLY OF PETROLEUM TO NEPAL AGAINST PAYMENTS IN RUPEES. THE GON APPEARS TO HAVE SOLVED THIS PROBLEM BY ARRANGING FOR SUPPLIES FROM THE SOVIET UNION AND IRAN. MORE RECENTLY, THE GOVERNMENT HAS BEEN SHAKEN BY REPORTS THAT INDIA IS CONTEMPLATING RESTRICTING THE EXPORT TO NEPAL OF GOODS IN SHORT SUPPLY IN INDIA. THESE GOODS, INCLUDING ITEMS SUCH AS CEMENT, COAL, IRON PRODUCTS, AND PAPER, ARE CURRENTLY ON AN ANNUAL QUOTA LIST FOR WHICH INDIA ACCEPTS PAYMENT IN RUPEES.

6. THE PRESENT QUOTE AGREEMENT WITH INDIA EXPIRES APRIL 1, AND THE GOVERNMENTS OF INDIA AND NEPAL WILL MEET SHORTLY AFTER THE CORONATION TO NEGOTIATE A NEW AGREEMENT. AT THAT TIME IT IS POSSIBLE THAT INDIA WILL MODIFY THE LIST TO RESTRICT EXPORTS OF THOSE GOODS IN SHORT SUPPLY AND TO INCREASE PRICES OF SOME GOODS. PAYMENT IN CONVERTIBLE CURRENCY COULD ALSO BE DEMANDED FOR GOODS IN SHORT SUPPLY. SHOULD THE QUOTE LIST BE ALTERED DRASTICALLY, NEPAL WOULD BE HARD PRESSED TO FIND NEW SOURCES FOR MANY OF ITS ESSENTIAL IMPORTS. IT IS UNLIKELY, HOWEVER, THAT THE GOI WOULD SUDDENTLY ABROGATE PREVIOUS AGREEMENTS EITHER BY EMBARGOING EXPORT OF ALL QUOTE GOODS OR DEMANDING PAYMENT IN CONVERTIBLE CURRENCY. SHOULD, AS WE EXPECT, THE CHANGES IN THE QUOTE LIST BE LESS DRASTIC, THE IMPACT ON NEPAL'S ECONOMY, WHILE MEASURABLE, NEED NOT BE OVERLY SEVERE. THE PRESENT HIGH LEVEL OF FOREIGN EXCHANGE RESERVES AND CONTINUING INFLOWS FROM TOURISM AND REMITTANCES, SHOULD ENABLE NEPAL TO PAY FOR INCREASING QUANTITIES OF ITS IMPORTS IN CONVERTIBLE CURRENCY.

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7. IN THE FACE OF HEIGHTENED AWARENESS AND INCREASING CONCERN OVER NEPAL'S ECONOMIC DEVELOPMENT, THE ABILITY OF THE GOVERNMENT TO MANAGE AND TO OPTIMIZE ITS RESOURCES WILL BE EXTREMELY IMPORTANT. THERE IS NO DOUBT THAT POPULATION PRESSURES WILL WORSEN OVER THE NEXT DECADE. INCREASES IN AGRICULTURAL PRODUCTION AND A TRANSFORMATION TO A MODERN AGRICULTURAL SECTOR WILL BE LONG RANGE PROCESSES. MEANWHILE, RISING EXPENDITURES AS DEVELOPMENT CONTINUES WILL STRAIN NEPAL'S MEAGER RESOURCES. WHILE THE GON CONTINUES TO SEEK SOLUTIONS TO ITS LONG TERM STRUCTURAL PROBLEMS, IT WILL NEED AT THE SAME TIME TO DEVELOP ITS ABILITY TO DEAL WITH IMMEDIATE PROBLEMS. AT PRESENT, IT APPEARS THAT NEPAL HAS BEEN SUCCESSFUL IN WORKING OUT ACCEPTABLE ARRANGEMENTS FOR FUTURE PETROLEUM SUPPLIES. AS CIRCUMSTANCES DICTATE THAT

THE DEGREE OF ITS DEPENDENCE OF INDIA SHIFT TO SOME DEGREE, NEPAL WILL HAVE TO BECOME MORE ADEPT IN SEEKING SUPPLIES IN THIRD MARKETS. RECENT DIFFICULTIES WITH INDIA HAVE DEMONSTRATED BOTH THE NEED TO DEVELOP NEW THIRD COUNTRY SUPPLY RELATIONSHIPS AND THE IMPORTANCE TO ENAPL OF MAINTANING AT THE SAME TIME A FAVORABLE, PRAGMATIC RELATIONSHIP WITH INAI. IN THIS CONNECTION, IT IS NOTEWORTHY THAT NEPAL'S TRADE WITH CHINA HAS INCREASED IN THE LASY YEAR, AND WILL SHOW A FURTHER INCREASE IN THE CURRENT YEAR.

IMPLICATION FOR U.S. POLICY

8. NEPAL'S TIGHTENING ECONOMIC SITUATION, THE INCREASING DRAIN ON ITS FINANCIAL RESOURCES, AND THE GROWNING SOPHISTICATION OF THE GOVERNMENT AS IT ATTEMPTS TO AMNAGE ITS PROBLEMS WILL HAVE IMPLICATIONS FOR THE WAY IN WHICH THE U.S. CARRIES OUT ITS ECONOMIC POLICIES IN NEPAL. THE FINANCIAL IMPLICATION OF THE GOVERNMENT'S PROGRAMS WILL TAKE ON INCREASED IMPORTANCE AS BUDGETARY EXPENDITURES MOUNT AND AS THE NEED TO TRANSFER SOURCES OF SUPPLY FOR SOME ESSENTIAL IMPORTS FROM INDIA TO THIRD COUNTRY MARKETS RESULT IN DRAWDOWNS IN FOREIGN EXCHANGE HLDINGS. WHILE THE GOVERNMENT HAS BEGUN TO LOOK FOR NEW MEANS TO INCREASE ITS BUDGETARY REVENUES, AND HAS BEEN SUCCESSFUL TO SOME EXTENT, NEPAL WILL CONTINUE TO BE GREATLY DEPENDENT ON OUTSIDE HELP. RECOGNIZING THAT AVAILABLE RESOURCES MUST BE UTILIZED TO MAXIMUM ADVANTAGE, THE GOVERNMENT WITHIN THE LAST YEAR HAS BEGUN TO PLAY A MUCH LIMITED OFFICIAL USE  
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MORE ACTIVE ROLE IN THE COORDINATION OF FOREIGN DONOR ACTIVITIES IN NEPAL. WE EXPECT THIS TREND TO CONTINUE, WITH THE RESULT THAT OUR ASSISTANCE PROGRAMS IN NEPAL WILL BE ANALYZED BY THE GON FAR MORE CRITICALLY IN THE FUTURE THAT WAS THE CASE IN THE PAST. THIS WILL MEANTHAT WE WILL HAVE TO TAKE SPECIAL CARE TO ENSURE THAT OUR PROGRAMS CONFORM TO THE PRIORITIES OF THE GOVERNMENT.

9. IN THE FACE OF A FINANCIAL SQUEEZE, WE CAN EXPECT THE GON TO MODIFY ITS REQUESTS TO US FOR ASSISTANCE. PROJECTS WITH A SIZEABLE CAPITAL INPUT AND A SHORT RUN PRODUCTIVE PAY OFF WILL BE FAVORED OVER THOSE BASED PRIMARILY IN TECHNICAL ASSISTANCE. AT THE SAME TIME THE GON WILL BE EXTREMELY RELUCTANT TO BECOME INVOLVED IN CAPITAL PROJECTS WHICH LEAVE IT VULNERABLE TO AN OPEN ENDED FINANCIAL COMMITMENT IN TERMS OF RISING COSTS, WHILE THE FOREIGN DONOR HAS A LIMITED COMMITMENT. THE GOVERNMENT'S CONCERN OVER ITS FINANCIAL ABILITY TO SUSTAIN ITS DEVELOPMENT EFFORTS WILL UNDOUBTEDLY LEAD TO NEW APPROACHES TO THE U.S. THE NEPALESE HAVE ALRADY TOLD US THAT THEY ARE INTERESTED IN OBTAINING COMMODITIES SUCH AS FERTILIZER AND COTTON ON CONCESSIONAL TERMS UNDER U.S. PROGRAMS. ALSO, WITH A NEW

FIVE YEAR DEVELOPMENT PALN FOR 1975-80 NOW IN FINAL STAGES  
OF PREPARATION, THE NEPALESE ARE CONCERNED ABOUT THE FLOW  
OF U.S. RESOURCES TO NEPAL AFTER OUR ASSISTANCE IN THE FORM  
OF INDIA RUPEES, APPROXIMATELY\$24 MILLION, HAS BEEN EXHAUSTED.  
WE HAVE TALKED TO THE NEPALESE ABOUT DEVELOPMENT LOANS,  
BUT TO DATE THAT HAVE BEEN RELUCTANT TO ACCEPT SUCH LOANS FROM  
US AS THEY HAVE FOUND THE TERMS GENERALLY LESS ATTRACTIVE  
THAN THOSE OFFERED BY OTHER DONORS. WHILE OUR RUPEE RESOURCES  
WILL GUARANTEE A FLOW OF ASSISTANCE TO NEPAL FOR THE NEXT  
THREE TO FOUR YEARS, WE WILL BE FACED BEFORE LONG WITH THE  
ISSUE OF WHAT FORM OUR FUTURE ASSISTANCE WILL TAKE. AS WE  
DO NOT KNOW AT PRESENT WHAT RESOURCES WILL BE AVAILABLE TO  
US, WE ARE NOT IN A POSITION TO FORMULATE OUR FUTURE PROGRAMS.  
WE SHOULD HOWEVER, TAKING INTO ACCOUNT THE SEVERE  
PROBLEMS WHICH NEPAL FACES, ATTEMPT TO PROVIDE ASSISTANCE  
WITH A MIX THAT OFFERS THE MOST FAVORABLE TERMS AVAILABLE.  
(WE RECOGNIZE THAT THE AVAILABILITY OF MORE FAVORABLE TERMS  
WILL DEPEND TO A LARGE EXTENT ON THE PASSAGE OF  
LEGISLATION WHICH WOULD PERMIT FAVORABLE TREATMENT FOR THE  
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RELATIVELY LEAST DEVELOPED COUNTRIES OF WHICH NEPAL IS  
ONE.) AT THE SAME TIME WE SHOULD BE RECEPTIVE TO OTHER  
REQUESTS FROM THE NEPALESE FOR SPECIAL FORMS OF ASSISTANCE.  
IN THIS CONNECTION, THE NEPALESE HAVE FORMALLY ASKED THAT  
THE USG SUPPORT NEPAL'S EFFORTS TO BE ADDED TO THE  
UN'S MOST SERIOUSLY AFFECTED LIST SO THAT NEPAL CAN GAIN  
ACCESS TO SPECIAL DEVELOPMENT ASSISTANCE DEEMED NECESSARY  
IN THE AFTERMATH OF THE ENERGY CRISIS. ANY ASSISTANCE WE  
COULD GIVE THE NEPALESE IN THIS EFFORT OR IN BRINGING ABOUT  
CHANGES IN PRESENT ARRANGEMENTS SO THAT INTERNATIONAL  
FINANCIAL INSTITUTIONS ARE NOT BOUND TO THE  
MSA LIST IN PROVIDING ASSISTANCE TO RLDCS WOULD BE  
WELCOMED BY THE NEPALESE AND WOULD BE CONSONANT  
WITH OUR POLITICAL AND ECONOMIC OBJECTIVES  
IN NEPAL.  
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